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SUBJECT: PRESIDENT KUFUOR HOSTS GHANA INVESTOR ADVISORY COUNCIL MEETING

Summary

1. On June 4, President Kufuor presided over the fifth Ghana Investors Advisory Council (GIAC) meeting. He highlighted recent, positive accomplishments, including MCA eligibility, and reassured the private sector that the GoG is committed to sound fiscal management during the 2004 election year. Private sector panelists spoke on priority areas for reform. End Summary

Ghana Investors Advisory Council

2. President Kufuor and other high-level GoG officials met June 4-5 with the private sector for the 5th annual GIAC meeting. The GoG invited the diplomatic community for the opening session. The purpose of the GIAC is to give Ghanaian and international business leaders the opportunity to influence economic policy and propose reforms, and also to improve the GoG's understanding of the factors important to (and hindering) domestic and foreign investors in Ghana.

Success Stories and Accomplishments

3. In his opening address, Kufuor highlighted positive accomplishments over the last eighteen months, including Ghana's inclusion among the 16 MCA-eligible countries, which he saw as an endorsement of the GoG's political and economic policies and reforms. He highlighted the serious macroeconomic program, which has resulted in strong growth, falling inflation and interest rates, a stable currency, and record remittances of USD 1.5 billion in 2003 and USD 600 million so far in 2004. He predicted Ghana would reach HIPC Completion Point soon, bringing USD 3.7 billion in official debt forgiveness.

4. Kufuor claimed that Fitch Rating Agency and Standard and Poor's positive sovereign credit ratings were confirmation of the GoG's prudent policies and Ghana's strong economic showing. Kufuor also commended Ghana for being one of six African countries invited to the Sea Island G-8 meeting and for being the first African country to undergo the NEPAD peer review.

5. On the business side, Kufuor emphasized high profile success stories: 1) the booming Ghana Stock Exchange (GSE), up 144 percent in 2003; 2) the AngloGold-Ashanti merger and its decision to list on the GSE; 3) Newmont Mining's half billion dollar planned investment; 4) the proposed Guinness-Ghana Breweries merger, which would create the biggest brewery in the region; 5) significant expansion plans of many banks and companies, including Unilever; 6) cocoa production expected to exceed 600,000 tons in 2004; and 7) the GoG's planned purchase of VALCO and its plans to develop an integrated aluminum industry. Kufuor said the GoG would soon announce its private sector strategy and implementation plan, aimed at further improving the business climate. Kufuor ended proclaiming that all this activity would propel Ghana's economy to meet the GoG's medium-term target of USD 1,000 per capita GDP.

Caveat -- Oil Prices

6. Although Kufuor sought to reassure the private sector that the GoG was committed to staying within budget during this election year, he warned that the high world price of oil was a menace to society and could potentially undermine the GoG's gains over the last three years. He reiterated his pledge not to increase the price of fuel at the pump this year, and stated that the GoG had reached agreement with developing partners (read: IMF) to keep a lid on prices for the time being. To pay for the increasing fuel subsidy, the GoG has cut costs and raised revenues from parastatal companies: the Cocoa Board, the National Communications Agency (NCA), Divestiture Implementation Committee, and the Ports and Harbors Directorate.

Private Sector Analysis of Priority Action Areas

7. Private sector representatives have divided into five working groups to focus on reforms related to land titling, financial sector, agriculture/agribusiness, labor, and customs and civil service. Relevant GoG Ministries

participate in the working groups. Working Group chairs reported on progress made over the last year. In most cases, the working groups are still in the recommendations phase. However, Ken Ofori-Atta, CEO of DATABANK and the Chair of the working group on financial sector reform, reported significant progress.

18. Ken Ofori-Atta stated that the GoG was close to completing needed legislation related to the banking system, payment system, securities industry, money laundering, insurance industry, foreign exchange, and credit bureaus. Plans for a venture capital fund are progressing, with partial funding from the GoG. The Finance Ministry will soon put out a tender for private management. Finance is also about to table to Parliament the Long Term Savings bill, which will establish programs similar to 401Ks, with the goal of increasing domestic savings.

19. Three companies have expressed interest in establishing credit rating agencies, but the GoG needs to clarify legal/regulatory issues. The IFC has also shown interest in this project, and also in a project to increase savings through the postal system. The IFC (along with other donors) is also supporting three African pilot projects to promote SME financing -- SME Solution Centers -- one of which will be located in Ghana (Note: the other two will be in Kenya and Madagascar. End Note). Ofori-Atta ended saying the goal was for Ghana to put in place the appropriate legal and regulatory structure and create the necessary incentives for Ghana to become a regional financial center, similar to Mauritius.

Comment

110. Both Ghanaian and international business reps seem satisfied with the level of importance President Kufuor is placing on this annual event. This is the one time the private sector as a group gets to speak candidly and privately with Kufuor and his top Ministers, and it appears Kufuor is listening to their concerns and is intent on pursuing policies beneficial to the business sector. As Ken Ofori-Atta stated during his presentation, with the sovereign credit ratings, MCA eligibility, HIPC Completion Point, and solid economic reform program, the private sector is feeling increasingly confident in the strength of Ghana's economy. A new member of the advisors is Chris Kirubi, a Kenyan multi-millionaire who heads DHL and Coca Cola in Kenya. He was exceptionally outspoken about including private business on more government trips and letting private business take the lead in the economy so free enterprise can triumph. End Comment.
Yates